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## **BOUCHER AND SMITH INTRODUCE DIGITAL GOODS AND SERVICES TAX FAIRNESS ACT**

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□□□□□□□□□□ **(Washington, D.C.)** –Yesterday, U.S. Representatives Rick Boucher (D-VA) and Lamar Smith (R-TX) introduced H.R. 5649, the Digital Goods and Services Tax Fairness Act, which will establish a uniform national framework for the taxation of digital goods and services. Presently, consumers and businesses engaged in digital commerce may be subject to multiple, confusing and burdensome taxation because of inconsistent rules across the thousands of state and local jurisdictions.

**“The existing sales and use tax laws are inadequate and ill-equipped to address today’s digital economy. The borderless marketplace and complex nature of digital transactions**

create new problems that must be addressed uniformly and on a national level to avoid double taxation and to ensure the fair and equitable treatment of digital goods and services. Unfair, multiple and inconsistent taxation of these digital goods and services will increase costs for U.S. businesses and make them less competitive in the global economy. The additional costs will also hinder investment by high-tech businesses in the broadband networks used to provide new and innovative digital goods and services and discourage lower income consumers from using innovative digital technologies,” Boucher said.

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□□□□□□□□□□ “As the digital marketplace expands, consumers are finding more and more ways to purchase products and goods online.□ Rather than going to a store to get software, consumers can now purchase and download new programs from the Internet with just the click of a button on a laptop, iPad or cell phone.□ As trends for consumers shift increasingly online, it’s important that Congress establish a clear and uniform framework for how states tax these digital goods and services. □ For example, a product purchased on a web site should not be taxed more than the same product purchased in a store.□

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□□□□□□□□□□ “Duplicative or increased taxes imposed by states for online products could create significant disadvantages for U.S. companies competing in global high tech industries.□ This important legislation protects U.S. high tech companies and American consumers by establishing a uniform system for taxes on goods and services purchased online.□ Specifically, the legislation prevents states from applying duplicative taxing systems to products simply because they are purchased online,” said Judiciary Committee Ranking Member Lamar Smith.

The first state tax on digital goods was imposed in 2007. Since that time, twenty-five states have considered legislation imposing new taxes on digital goods and services. Several states

have attempted to impose telecommunication specific taxes on downloaded music sold by communication providers, taxes which would not be imposed on similar products sold by non-communication companies.

**“A consistent, national framework for the state and local taxation of digital goods and services is needed to ensure the fair, consistent and equitable taxation of these goods and services. Our legislation addresses this clear need by establishing a uniform national framework for the taxation of digital goods and services,”** Boucher said.

The Digital Goods and Services Tax Fairness Act:

- Prohibits state and local jurisdictions from imposing multiple or discriminatory taxes on the sale or use of digital goods and services, ensuring that digital goods and services are not taxed differently from their physical counterparts.
- Provides that taxes may only be imposed on the retail sale or use of digital goods or services, preventing repeated taxation of digital goods and services at multiple stages of the transaction.
- Ensures that only the jurisdiction encompassing the customers' tax address may impose taxes on digital goods and services, preventing the consumer from being taxed by multiple states.
- Prevents state and local tax administrators from retroactively construing taxes imposed on tangible personal property to also apply to digital goods and services through administrative rulings or regulations.

- Exempts online health, energy management and education services from all state and local taxes, recognizing the critical role these services play in our economy.

The legislation has been endorsed by a wide range of stakeholders, including the Recording Industry Association of America, Verizon, Apple, Time Warner and Electronic Arts, among others.

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